

No. 13334
IN THE
United States Court of Appeals
FOR THE NINTH CIRCUIT

MERSHON COMPANY, INC.,

Appellant,

vs.

FRANK A. PACHMAYR, and FRANK A. PACHMAYR, doing
business under the fictitious firm name and style of
PACHMAYR GUN WORKS,

Appellees.

PETITION FOR REHEARING.

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PETITION FOR REHEARING.

Appellee herein respectfully petitions this Honorable Court for a rehearing of its decision filed herein on March 14, 1955, upon each of the following grounds:

I.

**On the Question of Res Judicata This Court's Decision
Is Erroneous.**

On the point of *res judicata* the only thing decided by this Court is that the facts and issues in the state and federal cases are so "vastly different" that no phase of *res judicata*, or of estoppel by judgment, can be maintained. (Op. p. 6.)

In reaching this conclusion this Court has mentioned four (4) points of distinction, which are set forth below:

(1) It is said that “the acts complained of in the federal case are acts performed at dates later than those in issue in the state case.”

(2) It is said that “the decision of the state case is based upon the Mershon—Pachmayr ‘not to sue, not to continue use of the mark’ agreement.”

(3) That the decision of the Superior Court was merely to the effect that the advertisement in the magazine “Field and Stream” did not alone constitute unfair trade.

(4) That the cases are different because this Court infers that there was no substantial manufacture and sale of pads with the white line up to the time of the state court’s decision.

Before analyzing these points, appellee reminds this Court that it has several times decided that the question of application of the principles of *res judicata* is a question of California law.

Nev-Cal Elec. Securities Co. v. Imperial Irrigation Dist., 85 F. 2d 886, 898;

Larber v. Vista Irrigation Dist., 127 F. 2d 628, 634.

We have heretofore relied and will continue to rely upon California decisions, except that two federal decisions are particularly apposite because they are unfair competition or trademark decisions. We shall analyze the four grounds of distinction mentioned by this Court in the order in which they are set forth above.

(1) To say that a prior judicial decision which authorizes the doing of a specific act may be collaterally challenged and the same act now forbidden, is to destroy the doctrine of *res judicata*. The judgment in the state case [R. pp. 245-246] when read with the findings of fact and conclusions of law of the Superior Court [R. pp. 239-244] established that Pachmayr had a legal right to manufacture, advertise and sell recoil pads incorporating a white line of material in the pad between two other contrasting colors of material; that such an action did not constitute unfair competition and that Mershon had no right either to enjoin these actions on the part of defendant, or to damages, general or special, or to any other relief. [R. pp. 240, 246.] Other findings of fact, as to which there is necessarily an estoppel, and which cannot now be disputed or relitigated by appellant in the present case, are set forth at pages 4-6 of appellee's brief and need not be repeated in full here.

In the present action there was undisputed evidence that Pachmayr's recoil pads, in so far as the white line of material is concerned, were no different at the time the federal case was commenced than they were when the state case was instituted. At no time did Pachmayr use or advertise the words "White Line". [R. pp. 102, 179-180.] He invariably and continuously marked his recoil pads with the words "Pachmayr" or "Pachmayr Gun Works". [R. pp. 151, 168; Exs. 8, 9 and 10.] The same dissimilarity in the colors and markings of packages has been continuous. [Exs. C, D and E, 19, 21 and 23.] The only change in all of these facts is that since the state court trial, Mershon has used a green package which Pachmayr has never used and Pachmayr commenced the use of a red package, which color Mershon has never

used. [R. 125, 126, 167.] If the doctrine of *res judicata* has any force, how can the same acts which were held not to constitute unfair competition in 1948 become unfair competition in 1951. The fundamental purpose of both aspects of the doctrine of *res judicata* is to grant protection for continuing acts which have been held legal by a final judgment of a court of competent jurisdiction.

Sutphin v. Speik, 15 Cal. 2d 195, 99 P. 2d 652, was not cited in appellee's brief because the decision was well summarized in one of the cases which was cited. (See Appellee's Br. p. 22.) However, in view of this Court's decision, the foregoing leading decision of the Supreme Court of California deserves further analysis. The following quotation from the decision is an adequate exposition of the facts and the law announced in that case:

"The prior judgment, as will be seen from an examination of its provisions and of the foregoing excerpts from the findings and conclusions, determined that plaintiff was the owner of 5 per cent of the total production of the two wells. This determination in the prior judgment necessarily establishes plaintiff's right in this action to recover royalties based on subsequent production of wells 3A and 4, unless defendant's attack on the applicability of the doctrine of *res judicata* is successful.

"The contentions of defendant in this connection are as follows: (a) *The causes of action in the two suits are different, and the judgment in the first is not res judicata in the second.* (b) The issue of ownership of oil or rights therein produced from state lands by a 'whipstock well' was not raised or decided in the first action, and is not *res judicata*. (c) Defendant Speik, after the judgment in the first action, acquired an independent title to the oil from the state lands which he could not have set up in the first

action. *The defendant argues that the estoppel of a judgment extends only to facts and conditions as they were at the time the judgment was rendered.*

(d) The language in the prior judgment and in the District Court of Appeal opinion, which would purport to establish a right in such oil, went beyond the issues raised and is surplusage and void. In this connection it is argued that the District Court of Appeal merely affirmed and did not modify the judgment; hence, its opinion cannot enlarge the scope of the judgment.

“All of these contentions merely represent different methods of expressing the single defense that the assignment to plaintiff and the prior judgment in his favor were only intended to give to plaintiff a right in oil produced from a particular well or any ‘substitute therefor’ drawing oil from strata directly underlying the leased premises; and that neither was intended, nor could be construed to establish in plaintiff any right to oil drawn through that well or any other well where the oil itself came from strata not underlying these lots.

“The argument of defendant is, in substance, an attack upon the findings and judgment in the prior action, the undoubted purpose of which is to avoid the broad determination of the issues therein made. The assignment upon which plaintiff relies covered the original well number 3 (subsequently destroyed by fire) or any ‘substitute therefor.’ It was entirely within the issues of the first action for the court to determine whether wells number 3A or 4 or any other wells then on the premises were substitutes for the original and destroyed well number 3. It is clear from an examination of the findings and judgment therein that plaintiff was adjudged in the prior action to be entitled to his percentage of the produc-

tion of any wells then drilled on the particular premises regardless of where the wells were bottomed, or the source of the oil delivered by them.

* * * * *

“As already indicated, defendant’s contention that the doctrine of *res judicata* is not applicable here is grounded upon the proposition that the causes of action involved in the prior and present suit are different, and that the defenses that title had been acquired from the state, and that the oil was being taken from lands outside the boundaries of the lots, were not raised in the prior action. A complete answer to this contention may be found in an examination of the scope of the doctrine of *res judicata*, which has been fully considered by this court in recent cases.

“First, where the causes of action and the parties are the same, a prior judgment is a complete bar in the second action. This is fundamental and is everywhere conceded.

“Second, where the causes of action are different but the parties are the same, the doctrine applies so as to render conclusive matters which were decided by the first judgment. As this court said in *Todhunter v. Smith*, 219 Cal. 690, 695 (28 Pac. 2d 916): ‘A prior judgment operates as a bar against a second action upon the same cause, but in a later action upon a different claim or cause of action, it operates as an estoppel or conclusive adjudication as to such issues in the second action as were actually litigated and determined in the first action.’ In the instant case, for example, the severable installments of royalties due gave rise to separate causes of action; but a determination of a particular issue in the prior action is *res judicata* in the second action. (See, also,

Pratt v. Vaughn, 2 Cal. App. 2d 722 (38 Pac. 2d 799).)

“Next is the question, under what circumstances is a matter to be deemed decided by the prior judgment? *Obviously, if it is actually raised by proper pleadings and treated as an issue in the cause, it is conclusively determined by the first judgment.*

* * * * *

“The judgment in that action awarded plaintiff 5 per cent of the total production from the lots in question whether produced from one or more wells. That judgment, correctly or incorrectly, did not limit the right of plaintiff to production from wells which bottomed under the land. After that judgment became final, plaintiff’s right to a portion of the production from those wells was conclusive as between the parties, even in the present suit on a different cause of action, because the basic issue thus decided in the first case is identical with that in the present case. Defendant, in his petition, has again urged that the former judgment cannot be *res judicata* as to the new issue of the title to oil from wells bottomed on state land, which title was acquired after the conclusion of the first action. The difficulty with this argument is that the asserted ‘new issue’ is not such in fact. Defendant has simply offered another legal theory by which the same issue might be differently decided. If he may have a new trial of the issue of right to the production of the oil from these wells because of the new argument that the source of the oil must be considered, then it would seem that in subsequent action he can raise a ‘new issue’ as to the title of A, B, C, or other possible claimants in addition to the state. *In short, defendant’s contention is that though the prior judgment determined that plaintiff had a right to a specified percentage of the production of oil from any wells on certain*

land, plaintiff may be compelled to relitigate that right whenever defendant can discover a new theory upon which to attack it. This proposition is without support in principle or authority.” (Italics ours.)

In our case the prior judgment determined the same basic issue involved in this case, namely, that Pachmayr had a right to use the white line of material in his gun recoil pad. He cannot be compelled to relitigate that right merely because plaintiff in this case has alleged a trademark cause of action, nor on the basis of this Court's conclusion that the case is different because the same acts were performed at a later date.

It is appropriate at this point to cite two federal cases dealing with the question of *res judicata* in unfair competition or trademark situations. These cases were cited and discussed in memoranda filed with the United States District Court, but were not mentioned in appellee's brief:

E. I. du Pont de Nemours & Co. v. Sylvania Industrial Corporation, 122 F. 2d 400, was an action for trademark infringement and unfair competition. Du Pont asserted the exclusive right to the use of the term “cellophane.” In litigation resulting in a judgment in 1934 du Pont had been unsuccessful. Up to that time Sylvania had sold the product but first used the term “cellophane” in its advertisements in December, 1936, and on its goods in November, 1937. The Court of Appeals held that in the previous action it had been determined that the word “cellophane” was not a valid trademark, and that Sylvania was entitled to the benefit of the favorable decree even though it had not been a party to the earlier action, and had not advertised or used the name “cellophane” on its goods until after the earlier decision in the District Court.

In *National Circle, Daughters of Isabella v. National Order, Daughters of Isabella* (C. C. A. 2), 270 Fed. 723, the Court said at pages 728 and 729:

“We admit that the cause of action in the case is not identical with the one alleged in the instant case. We admit that the judgment in that case only enjoined the defendants from using the name ‘Daughters of Isabella’ within the State of Connecticut. But we do not agree that the Connecticut action settled nothing which can in any way affect the rights of the parties in the present suit.

“The findings of the Connecticut court are conclusive upon the parties to that litigation, and they are as conclusive outside of Connecticut as they are inside of the state. And one of the issues of fact which it conclusively determined was that the Connecticut organization used the words ‘Daughters of Isabella’ for several years before the defendant was organized. And another issue of fact which it in substance determined was that the present plaintiff is the successor of the voluntary association which in 1901 appropriated the name ‘Daughters of Isabella.’

“The Connecticut court was not asked to restrain the defendant from the use of its name outside of that state or from establishing branches outside of the state of Connecticut, so that the decision then rendered was not intended to restrain and did not restrain the defendant from doing the things complained of in the present suit. The present action seeks to restrain the defendant from doing anywhere in the United States what the Connecticut court restrained it from doing in that state. But the findings of fact in the Connecticut action, in which the present plaintiff and the present defendant were parties plaintiff and parties defendant, must be regarded as *res adjudicata* between them. The findings of the court

as to the essential facts are conclusive between the parties in all subsequent judicial proceedings as long as the judgment remains unmodified. They are not only final in the state where the judgment was rendered, but they are final in every other state.”

(2) Another point of dissimilarity suggested by this Court is that the decision of the state case is based upon the Mershon-Pachmayr “not to sue, not to continue use of the mark” agreement. Thus, by inference, this Court says that nothing was decided by the state Superior Court except that Pachmayr had not violated the “not to sue, not to continue use of the mark” verbal agreement. This Court has failed to follow the California law, and has rendered a decision directly contrary to the latest California decision on the point.

Evans v. Horton (Jan. 1953), 115 Cal. App. 2d 281, 251 P. 2d 1013,

was decided after appellee’s brief was filed herein. The plaintiff on the appeal in that case made exactly the same contention in principle which is made by appellant in this case. That is, in the *Evans* case, the state Superior Court had found, among other things, that the plaintiff had not taken all necessary steps to rescind the transactions which he claimed to be fraudulent. Plaintiff claimed, in effect, that this was the only point decided and that the findings of want of fraud were surplusage and not necessary to the judgment, and therefore the judgments were not *res judicata* on the question of fraud. So, here, this Court has said that in the state Superior Court decision [R. p. 243], the latter decided only that the oral agreement had not been broken by Pachmayr, and therefore, in effect, all other findings are immaterial and

may be disregarded. The answer to this contention is found in the recent decision in *Evans v. Horton*. The Court there said, at pages 285 and 286:

“Plaintiff argues that because the court, in the prior actions, found he had not taken all necessary steps to rescind the Mothimune transactions the findings of want of fraud were surplusage, not necessary to the judgments, and therefore the judgments are not *res judicata* on the question of fraud. The rule invoked by plaintiff applies only when the issue was immaterial to the decision of the prior case, or was only incidentally cognizable, or only collaterally in question. (50 C. J. S. 206, Secs. 721-725; Anno. 133 A. L. R. 840.) In general, a fact, question, or claim is within the doctrine of *res judicata* when an issue concerning it is tendered and accepted by the pleadings in the case and is determined on the merits. (*Clark v. Bauer*, 135 Cal. App. 65, 69-74 (26 P. 2d 729); *Bank of America v. Feig*, 21 Cal. App. 2d 247 (68 P. 2d 985). See *Keidatz v. Albany*, 39 Cal. 2d 826 (249 P. 2d 264).) *Unless expressly excluded from the effect of the adjudication, if the question involved in a suit are tried and decided, no matter how numerous they may be, the estoppel of the judgment applies to each point so settled in the same degree as though it were the sole issue in the case.* (50 C. J. S. 208, Sec. 721.)

“A court is not confined to a single point or ground in deciding an action. Where a court has decided an action on more than one ground, it cannot be said that one ground rather than the others was essential to the decision, and that the others were immaterial or unnecessary. *In determining the conclusiveness of a finding or holding on a certain point, the inquiry is not whether the court might have avoided making a finding on the particular point but whether the find-*

ing or holding is on a point in issue and whether it is consistent with, and supports or contributes to, the actual decision rendered. A judgment based on several grounds or points, each of which was put in issue by the pleadings and expressly decided, is conclusive as res judicata or estoppel as to each of such grounds or points. (See cases collected—133 A. L. R. 846.) If a case is decided on one or more grounds, each ground is a good estoppel. (Irving Nat. Bank v. Law (2 Cir.), 10 F. 2d 721, 724. See Dobbins v. Title Guar. & Trust Co., 22 Cal. 2d 64, 70-71 (136 P. 2d 572).) Mr. Freeman says: 'But there is a difference between a finding or adjudication which is immaterial and one which is material, though perhaps unnecessary in view of other findings. The mere fact that the court goes further than is absolutely necessary to sustain its judgment in determining material issues presented to it does not prevent such issues from becoming res judicata.' (2 Freeman on Judgments, 1478, Sec. 698.) The question of fraud in the Mothimune transactions was not immaterial to the decisions in the prior rescission suits, nor was it only incidentally cognizable nor only collaterally in question. *It was tendered and accepted by the pleadings; it went to the merits of the suits; it was litigated; expressly decided; and is res judicata. (See Henderson v. Miglietta, 206 Cal. 125 (273 P. 581.).)*" (Italics ours.)

In the state case appellant here clearly did not bring a declaratory relief action to have it determined whether or not Pachmayr had violated the "not to sue, not to continue use of the mark" verbal agreement. To the contrary. Mershon in the complaint in the state case [Ex. P-1; R. p. 217], pleaded a typical action for unfair competition and asked for an injunction and damages. The

issue of unfair competition was therefore tendered by the pleadings, it went to the merits, and was litigated and expressly decided. The oral agreement “not to sue, not to continue use of the mark,” was first tendered by Pachmayr as an affirmative defense in his answer. [Ex. P-2.] The issue raised by this affirmative defense was litigated and decided, but under the doctrine of *Evans v. Horton, supra*, it cannot be said that a decision on this issue made all of the other issues immaterial. The issue of unfair competition was still basic, and in so far as the causes of action in the state and federal cases are the same, the prior judgment is a complete bar in the second action. Even if it be said that a trademark cause of action is a different cause of action, the state court judgment is conclusive as to all matters of fact that were decided therein. However, as has been pointed out, the state court did determine the validity of appellant’s common law trademark (Appellee’s Br. pp. 14 and 15); as a matter of law, in this field at least, a trademark cause of action is not a different and distinct cause of action from an unfair competition case (*Armstrong Paint & Varnish v. Nu-Enamel Corp.*, 305 U. S. 315, 324-325, 83 L. Ed. 195, 59 S. Ct. 191; Appellee’s Br. pp. 15-16), and in any case, when it was determined as between these parties in the state court that there was no unfair competition, then as a matter of law there cannot be any trademark infringement. (See cases cited in Appellee’s Br. pp. 16 and 17.)

(3) This Court has further tried to differentiate the state court case by stating in substance that the Superior Court held that the advertisement in “Field and Stream” did not constitute unfair trade. Clearly the findings and conclusions of law in the state case are far broader than this Court infers. Beyond question the state court held

that neither the manufacture, advertisement, promotion or sale by Pachmayr of gun recoil pads with a white line of material in them constituted unfair competition. Any reasonable consideration of the finding of the state court will show that it did not confine itself to the determination of the legal effect of a particular advertisement.

In paragraph V of the complaint in the state court [Ex. P-1] it was alleged "that plaintiff at no time authorized the defendants in any manner to use said 'White Line' Recoil Pad design, or to advertise, or to promote, or to exploit, or to sell the same to any person or persons. . . ." The state court specifically found that this allegation was untrue and that "plaintiff's predecessor in interest did authorize defendant to advertise and promote and exploit and sell a recoil pad of a type similar to that being manufactured by plaintiff, provided no sale or manufacture thereof should be made prior to the 24th day of December, 1938; that prior to the 24th day of December, 1938, defendant did not advertise or promote or exploit or sell recoil pads. [R. p. 241.] Here was another issue which was tendered and accepted by the pleadings and which went to the merits and which was litigated and expressly decided and is therefore *res judicata* between these parties.

Evans v. Horton, supra.

Parenthetically the same point was raised by Pachmayr's fifth defense in the federal case [R. pp. 25-26], and was the subject of evidence and argument and a

finding in the federal case. [R. pp. 53-54, 158-163, 199.] In view of the state court's determination that Mershon specifically authorized Pachmayr to manufacture, sell and exploit a recoil pad with a white line of material in it, commencing on and after December 24, 1938, how can this Court now say that such manufacture and sale constitutes unfair competition and trademark infringement. It is submitted that the decision on the point now under discussion is alone sufficient to foreclose Mershon in the present action.

(4) This Court has said in substance that the finding of the state court respecting validity and performance of the verbal agreement between the parties indicates that there was no extensive trade in gun recoil pads at the time of the state court's decision. We respectfully urge that such a conclusion is a *non sequitur* and that it is not justified by the state court's findings. These findings were certainly to the effect that both Mershon and Pachmayr here were selling large quantities of recoil pads. The actual finding on the extent of manufacture and sale is as follows:

“That it is true that plaintiff manufactured, advertised, promoted, exploited and sold throughout the nation said white line recoil pads, *by expenditure of substantial sums of money and that plaintiff, through promotion, advertising and selling, has developed through the years a large and profitable business in the manufacture and sale of said white line recoil pads.*

“That as to all other allegations in paragraph III of plaintiff’s complaint, none of them is true.

IV.

“That it is true that on or about September, 1945, defendant began to sell and advertise recoil pads and that defendant from and after said date and until April 17, 1946, continued to advertise and sell recoil pads of the same general type as those sold by plaintiff; *and that the defendant did sell large quantities of such recoil pads.*” [R. p. 240.]

Furthermore, if the conclusion of the state court was, as we submit, that the manufacture, advertisement and sale of gun recoil pads with the while line of material, by Pachmayr, was not unfair competition, then it can scarcely matter whether at that time Pachmayr was manufacturing and selling ten thousand or one million pads per year. The Supreme Court of the United States has held that the fact that the amount of money spent on advertising has increased is without legal significance. (*Kellogg Co. v. National Biscuit Co.*, 305 U. S. 111, 119, 83 L. Ed. 73, 59 S. Ct. 109—Appellee’s Br. p. 20.) If the amount of money spent on advertising is without legal significance it would seem to follow that the number of units manufactured and sold is without legal significance, so long as the right to manufacture and sell *any* units has been established by a previous final judicial decision.

If we are correct that the factual distinction between the two cases under the California law is insufficient, then this Court should review and rehear the entire

argument on the *res judicata* issue. In that view, it is necessary for this court to decide whether or not the general affirmance by the District Court of Appeal of the judgment of the Superior Court affirms the judgment and the findings of the conclusions in their entirety. The effect of the decision of the state District Court of Appeal was fully discussed at pages 7-14 of Appellee's brief and the argument there made need not be repeated here. However, the argument on that point, and the argument made herein with regard to the effect of the findings and conclusions of the state Superior Court, is fortified by a recent decision of the California District Court of Appeal (*City of Vernon v. City of Los Angeles* (Oct. 1954), 128 A. C. A. 294, 275 P. 2d 72, rendered after the filing of appellee's brief herein. The court there said (128 A. C. A. at 305):

"The abatement judgment having been affirmed, it is a final decision and its holdings are unalterable. The contention that 'the issues created by . . . Vernon's answer in the abatement case were not passed on by the court and were not judicially determined' is contrary to law. It is firmly entrenched in the corpus juris of this state that all issues raised by the pleadings are adjudicated by the judgment entered. Judge Palmer's reaction to such contention is a final disposition thereof: 'When an appellate court affirms a judgment of a trial court, makes no modification, orders no change in findings, conclusions or judgment, the only existing judgment . . . to which we can look for authority is the judgment of the trial court.'"

II.

As a Matter of Law the White Line of Material Involved Herein Is Not and Cannot Be the Subject of a Valid Trademark.

Petitioner does not, indeed cannot, dispute the rule of law advanced by appellant and adopted by the opinion of this court to the effect that “color” may in a particular case be a protected and integral part of a valid trademark, if that color is connected and impressed in a definite arbitrary design or symbol so as to distinguish the product.

However, it is and has been petitioner’s position that this exception to the rule that color may not be monopolized and protected is inappropriately and improperly applied to the present case.

The initial question involved is whether or not the color involved is used in some form of distinctive design or symbol that is uncommon and unique so as to distinguish the individual product.

Campbell Soup Co. et al. v. Armour (3 Cir., 1949), 175 F. 2d 795;

Diamond Match Co. v. Saginaw Match Co. (6 Cir., 1906), 142 Fed. 727, 729.

In *Campbell Soup Co., et al. v. Armour, supra*, where plaintiff’s labels contained bands of red and white the court states:

“The primary colors are few, and as the evidence shows those suitable for light products, such as milk, are even more limited. To allow them to be appropriated as distinguishing marks would foster monopoly by foreclosing the use by other of any tasty dress.

* * * * *

“When we say that plaintiff cannot have exclusive right to a trade-mark of a red and white label, we are by no means denying their right to acquire a trade-mark when the color is combined with other things in a distinctive design. As a matter of fact, the distinctiveness of plaintiffs’ packages does not depend upon color alone, although each has been granted registration of a trade-mark described in terms of color. Each has its name in one of the color bands in a uniform and specified type of script. Each has a very distinctive design on its label. Carnation has a small bouquet of carnation flowers. Campbell has a medallion of individual design. Armour, too, does not depend upon color alone. It uses different colors with different products and each has the Armour name in an individual type of script accompanied by the star which it says has been the mark of its good over many years. In denying the plaintiffs the exclusive use of color alone we are not passing upon the question whether they have acquired trade-marks entitled to protection in the sum total of the combinations which make up their respective labels for their goods.”

In the instant case, even assuming that the color contended for was other than white or black, the use of a mere line, end or portion of the product cannot constitute a design or figure sufficient to permit the monopolization of that color.

This is ably pointed out not only in the foregoing authorities, but by the facts and decision in *Turner and Seymour Mfg. Co. v. A. & J. Mfg. Co.* (2 Cir., 1927), 20 F. 2d 298, wherein plaintiff held a registered trademark for “Blue Whirl” egg beaters and “Blue Streak” can openers and defendant produced and sold a “Blue Tip”

egg beater and can opener. Both of the products of plaintiff and defendant contained a portion of the handles enameled in blue. The court therein states:

“Plaintiff’s egg beater is sold under the trade-mark ‘Blue Whirl,’ with both handles enameled a robin’s egg blue. It is sold in a blue box, one to a box. On the box is printed a guaranty of the excellence of the material and unlimited replacement. The defendants sell their egg beater under the trade-mark of ‘Blue Tip.’ Extensive advertising and sales effort has been carried on by the plaintiff, and the claim is that the public associates the blue handle, the blue name, and the blue box with both the egg beater and the can opener which the plaintiff manufactures. The defendants sold their ‘Blue Tip’ egg beater and can opener about two years after the ‘Blue Whirl’ appeared on the market and about one year after the ‘Blue Streak.’

* * * * *

“Ordinarily, colors of themselves cannot be appropriated as trade-marks. *Smith-Kline & French Co. v. American Druggists Syndicate* (C. C. A.), 273 F. 84; *Lalanc & Grosjean Mfg. Co. v. Nat’l Enameling & Stamping Co.* (C. C.), 109 F. 317. But color which is non-functional and distinctive in a drink, as in *Coca-Cola Co. v. Gay-Ola Co.* (C. C. A.), 200 F. 720, or whisky, as in *Walker v. Grubman* (D. C.), 222 F. 478, may not be copied in violation of an established mark, and has been held to be in fraudulent competition. The use of blue by both plaintiff and defendants, which color is common to the trade for kitchen utensils, and for which the plaintiff has no exclusive right, will not be protected by injunction, so as to afford it a monopoly. *Taylor v. Bostick* (C. C. A.), 299 F. 232. As there said:

“‘It is a well-settled general rule of law that a trader may not monopolize a particular color, and that color alone, unaccompanied by any distinguishing sign, seal or symbol, is not sufficient to constitute a trade-mark.’

* * * * *

“In view of the use of the word ‘blue’ and the color in the trade of manufacturing and marketing kitchen utensils, and the slight evidence of confusion, if any, there was no basis for an injunction as in restraint of plaintiff’s trade-marks. We hold that the trade-mark ‘Blue Tip’ does not infringe ‘Blue Whirl’ or ‘Blue Streak.’ ”

It is difficult to comprehend how the white portion of laminated rubber is any more of a distinctive design than the enameled handles to the products in the foregoing authority.

Certainly appellant cannot contend that a color not otherwise used in the form of a design or symbol can be monopolized merely by the selection of a trade name containing a word descriptive of that color, any more than the words “Blue Streak” or “Blue Tip” monopolizes the production and sale of blue handles on kitchen utensils. (*Turner and Seymour Mfg. Co. v. A. & J. Mfg. Co., supra.*)

It has also been established that one of the important factors in cases involving the use of color is the extent of usage of that color in the particular business or industry.

In the present case it was shown that the color white was functional in the sense that it was used in order to create contrast with darker colors, and because it more

readily strikes the eye. It was also shown that since 1948 four other manufacturers of gun recoil pads have used a white line or lamination in their products. This evidence was certainly sufficient to demonstrate that the use of white as a contrasting color in a gun recoil pad was not purely arbitrary, and that the use of such a color was old and common to the trade. The evidence on this point was set forth with citations of the record at pages 41 and 42 of Appellee's Brief, and need not be repeated here.

In this connection the Supreme Court has stated in *Kellogg Co. v. National Biscuit Company*, 305 U. S. 111, 120, 83 L. Ed 73, 59 S. Ct. 109:

"Where an article may be manufactured by all, a particular manufacturer can no more assert exclusive rights in a form in which the public has become accustomed to see the article and which, in the minds of the public, is primarily associated with the article rather than a particular producer, than it can in the case of a name with similar connections in the public mind. Kellogg Company was free to use the pillow-shaped form, subject only to the obligation to identify its product lest it be mistaken for that of the plaintiff."

See also:

Turner & Seymour Mfg. Co. v. A. & J. Mfg. Co.,
supra;

Parker Pen Co. v. Finstone, 7 F. 2d 753 (Appel-
lee's Br. p. 42);

*So. California Fish Co. v. White Star Canning
Co.*, 45 Cal. App. 426, 430, 187 Pac. 981 (Ap-
pellee's Br. pp. 29-30).

Petitioner further contends that even assuming, arguendo, that a single line of one color is a sufficient design or symbol to qualify in this respect for protection under the trademark laws, there are further reasons preventing the establishment of such a trademark.

It is now established that trademark protection differs, depending upon the type and kind of word involved. In the language of Judge Stephens of this court “differentiation is made between ‘strong’ and weak marks based upon whether the word sought to be protected is general or fanciful.” (*Sunbeam Furniture Corp. v. Sunbeam Corp.* (9 Cir., 1951), 91 F. 2d 141, 144.) The fanciful word is more broadly protected as a trademark or tradename.

The foregoing rule is amplified in *Time, Inc. v. T. I. M. E., Inc.*, 123 Fed. Supp. 446, the court states:

“As Judge Learned Hand observed in *Landers, Frary & Clark v. Universal Cooler Corp.*, 2 Cir., 1936, 85 F. 2d 46; ‘It is quite true that, just as a coined word is easier to protect than a word of common speech upon goods on which the owner has used it, so it is easier to prevent its use upon other kinds of goods. The proprietary connotation,—“secondary meaning,”—of a word of common speech is harder to create and easier to lose, and its fringe or penumbra does not usually extend so far as that of a coined word.’ 85 F. 2d at page 48; see *American Steel Foundries v. Robertson*, *supra*, 269 U. S. at page 372, 46 S. Ct. 160, 70 L. Ed. 317.”

A logical counter part of this doctrine must be that a symbol or design which is to receive “strong” protection, indeed, to be protected at all, must be of a nature and type that is unique or in some way inventive. A white

line can hardly qualify anymore than a picture of a fish or a strand of colored material woven into a wire rope.

So. Calif. Fish Co. v. White Star Canning Co., supra;

A. Leshen and Sons Rope Co. v. Macomber and Whyte Rope Co. (C. C. A.), 142 Fed. 289.

The reason for the foregoing rule of law is clear; no one should be able to usurp or monopolize those things which are common and free for the use of everyone, including a stright white line.

It is our contention that the foregoing principles establish therefore the following rules or guides for the determination of whether or not a particular symbol or design is sufficient to permit the monopolization of a color as a part of that symbol or design:

1. The use of the color must be distinctive and unique;
2. A color may not be usurped or monopolized by merely the use of a title or trade name which contains the name of that color;
3. A court must find of necessity that a particular color such as the white line in our case has not become accepted and common to the product and to the industry;
4. The court should consider as a factor whether or not the particular symbol claimed is entitled to clear and strong protection because it is unique and inventive or whether it is a mark that is common and should be enjoyed by anyone desiring to use it.

The facts in the instant case when tested in the light of the foregoing rules impel the conclusion that the alleged mark of plaintiff cannot qualify for trademark protection.

III.

This Court Has Failed to Follow Its Own Well-established Rules Concerning the Significance and Effect Which Should Be Attached to the District Court's Decision in Favor of Pachmayr.

This Court has laid heavy emphasis on the remarks of Judge Harrison in the course of the trial (Op. p. 8). Actually the crux of Judge Harrison's remarks was that "anybody who was looking *for a white line* as a distinguishing mark would not be able to tell them apart." This is the equivalent of saying that color alone may be a sufficient distinguishing mark, and as numerous cases show this is not the law. In his remarks Judge Harrison was overlooking, as this Court has overlooked, the numerous points of distinction between the two pads, such as the fact that one was named "White Line" and the other was invariably marked "Pachmayr." The innumerable differences in the packaging are also overlooked, although the evidence shows that the two gun recoil pads are invariably sold and displayed in their distinctive packages.

The essential point which is overlooked by this Court is that a trial court speaks through its findings of fact and conclusions of law, not through incidental remarks made prior to the conclusion of the testimony, and prior to argument on significant points of law. If the findings of fact and conclusions of law in the federal case are considered at all, it can scarcely be said that Judge Harrison never deviated from the viewpoint claimed to have been expressed at page 194 of the record. Thus, Judge Harrison found, among other things, as follows:

(1) That such recoil pads so manufactured by defendant are similar in shape and dimension to those manu-

factured by plaintiff, but that such similarity was and is occasioned and did not extend beyond the similarity necessitated by the nature of the product. [R. p. 59.]

(2) That it is not true that a gun recoil pad consisting of a white line, or a layer of material interposed between differently colored lines, or layers of material, has come to signify to the public, and particularly to those who own or deal in guns and gun supplies, the products of plaintiff and no one else. [R. p. 60.]

(3) That the recoil pads manufactured, exploited and sold by defendant contained thereon the words “Pachmayr” and on their face were readily distinguishable from the product sold by plaintiff. [R. p. 60.]

(4) That the packages in which the product of the defendant have been and now are sold are readily distinguishable as to form, design, color and content, from the packages in which the product of plaintiff is sold, and do not confuse or deceive, or have any tendency to confuse or deceive the public, or to give the product of the defendant a saleability which it otherwise would not have. [R. p. 60.]

(5) That it is not true that defendant’s acts since 1946 have caused or are causing or are likely to cause purchasers of defendant’s said goods to believe them to originate with, or to be vouched for, or sponsored by, plaintiff. [R. pp. 7, 58.]

(6) That it is not true that defendant’s acts since 1946 have caused, are causing, or are likely to cause dilution of the value of plaintiff’s said symbol trademark, loss of business and loss of profits to plaintiff, and damage to injury to plaintiff’s reputation and good will. [R. pp. 7-8, 58.]

In the footnote to its opinion (p. 8), this Court refers to a statement by a witness under some pressure from the trial court to the effect that “I guess you are right” in stating that one would have to look at the name of the manufacturer in order readily to distinguish the difference between the two recoil pads. Innumerable cases cited in appellee’s brief have shown that the use by a manufacturer of his own name does, as one case puts it, “supply the antidote with the bane.” The effect of this Court’s decision is to say that if a subsequent manufacturer uses in a line of material in a product, a color similar or identical to that used by the first manufacturer, the second manufacturer is *ipso facto* guilty of unfair competition and trademark infringement, no matter what he does otherwise by the plain use of his name, dissimilar packaging, and by other distinguishing marks. We submit that this is not the law and is directly contrary to the numerous cases in this and other circuits, cited in appellee’s brief. Furthermore, it is contrary to the principle of appellate decision stated at the beginning of this section, namely, that the court will view the evidence most favorably to the prevailing party. Here, this Court’s decision is written as though appellant herein had been the prevailing party. This Court has not only not given weight to the trial court’s findings, but has looked for evidence which would have supported a contrary finding, even though that evidence conflicts with other evidence favorable to appellee. The burden was on appellant in this case to show wherein the findings favorable to appellee were not supported by sufficient evidence. Neither appellant, nor this Court, has made any successful effort to show that there was not evidence amply sufficient to sustain

the findings of the trial judge. (See *Wingate v. Bercut* (C. C. A. 9), 146 F. 2d 725, 728; Appellee's Br. p. 47.)

In a number of other respects this Court has misinterpreted the record made in the lower court. For example, this Court states that Pachmayr and Mershon owned a *United States Registered* trademark before they parted in 1936. (Op. p. 2.) This statement entirely overlooks Plaintiff's Exhibit 5 [R. p. 233] which shows that Mershon Company, Inc., claimed to have used the trademark commencing in February 1937; that application for the trademark was made on October 12, 1946, and that the trademark was registered on April 27, 1948, for the first time.

By inference this Court has said that the California District Court of Appeal decided only the question of the validity and effect of the Mershon-Pachmayr "not to sue, not to continue use of the mark" agreement. This Court states that the District Court of Appeal "specifically refrained from passing on any other issue, deeming all others immaterial in the circumstances." (Op. p. 3.) The clear fact is that the California District Court of Appeal simply found that the one ground which it chose to discuss was sufficient to justify a general affirmance of the lower court's judgment. As has been shown, the general affirmance of the judgment of the trial court affirms the judgment in all particulars and establishes the trial court's judgment as the only effective judgment upon *all* issues which were raised by the pleadings in the lower court.

City of Vernon v. City of Los Angeles, supra;

Bank of America v. McLaughlin, 40 Cal. App. 2d 620, 628-629, 125 P. 2d 607.

See cases cited in appellee's brief, pages 9-10.

The only state decision, an unfair competition, mentioned by this Court is *Southern California Fish Co. v. White Star Canning Co.*, *supra*. This Court has quoted a single sentence which, under all of the circumstances, was mere dictum. An examination of the decision and particularly the portions quoted on pages 29, 34, and 38 of appellee's brief will show that the decision is entirely favorable to appellee herein, and that the decision of this Court on the matter of unfair competition is directly contrary to the established state law.

This Court, in footnote 3, page 8, of its opinion, has adopted as an important element in its decision the principle that the innocent manufacturer is nonetheless responsible in an unfair competition action for the acts of the dishonest retainer. The Court has relied upon secondary authority (Nims, *Unfair Competition and Trade-marks*, p. 1214, Sec. 381), which cites no California authorities. The textwriter's statement is contrary to the California law.

Southern California Fish Co. v. White Star Canning Co., 45 Cal. App. 426, 434-435;

American Automobile Association v. American Automobile Owners' Association, 216 Cal. 125, 137.

We assume that this Court did not intend to overrule its earlier decisions that matters of unfair competition are governed by local law rather than textwriters' statements.

Sunbeam Furniture Corp. v. Sunbeam Corp. (C. C. A. 9), 119 F. 2d 141, 145.

Conclusion.

Under the rules of law herein set forth we submit that the decision of this Court rendered herein on March 14, 1955, is erroneous in that it disregards the established doctrine of *res judicata*, and contravenes the existing law concerning the establishment and infringement of trademarks.

We therefore respectfully request that the Court grant this petition for rehearing, to the end that there be not incorporated in the law of this Circuit a decision which we respectfully urge is contrary to, and not supported by, established principles of law.

Respectfully submitted,

EDWARD HERVEY,

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Attorneys for Appellee.

Certificate of Counsel.

I, Donald W. Hamblin, of counsel for appellee herein, do hereby certify that in my judgment the Petition for Rehearing is well founded and that it is not interposed for delay.

Dated: This 12th day of April, 1955.

DONALD W. HAMBLIN.